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UNCLAS ANKARA 000402

SIPDIS

SENSITIVE

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STATE PASS USTR FOR ERRION
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TAGS: [ENRG](#) [EINV](#) [PREL](#) [US](#)

SUBJECT: GOT STICKS TO HARD LINE ON BOT ENERGY PROJECTS

REF: A. (A) ANKARA 777

[B.](#) (B) 03 ANKARA 7180

[C.](#) (C) 03 ANKARA 7103

[1](#)1. (SBU) Summary: Despite Energy Minister Guler's recent public comment that he had a "secret plan" to resolve the BOT energy disputes by the end of the month, we see no sign of progress. In fact, the companies and the government are not even seriously discussing possible compromises. Instead, the government continues to pressure the companies via a series of tax and customs-related investigations, while the companies continue to operate without operating licenses. Embassy has been pressing hard in recent weeks for the GOT to adopt a more conciliatory approach, but without success. Our efforts would benefit by more of an organized campaign on the part of the companies. However, the local representatives claim they are "out of the loop," and we have not heard from U.S.-based executives since mid-November. End Summary.

[1](#)2. (SBU) Energy Minister Hilmi Guler announced early this month that he had a "secret plan" to resolve the long-festering dispute between the government and the BOT energy companies over tariffs and operating licenses. However, there appears to be no movement toward a resolution. The local reps for Trakya and Doga tell us they have no idea what is going on, and Energy U/S Sami Demirbilek told us January 16 that there were no serious discussions underway (or planned) between the government and the companies.

[1](#)3. (SBU) Demirbilek said a government buy-out of the companies was a last-resort. The government's preferred outcome, he said, was for the companies to agree to reduce their tariffs in line with the GOT's requests. He noted that the GOT had reduced the companies' input costs (natural gas), a savings the companies were passing on to consumers, but still expected the companies to make a further, unilateral reduction.

[1](#)4. (SBU) We complained that the government was unfairly pressuring the companies by withholding operating licenses and sending a steady stream of tax, customs, and other inspectors to pour through company books (refs b and c). Demirbilek said the companies were being allowed to operate without licenses. As for the inspections, it was not as if the government had made a policy decision to launch a coordinated series of investigations. Rather, he said, individual government inspection arms had decided on their own to look at company books. The aim, he said, was to press the companies until they gave in on price. We responded that treating investors with signed contracts this way was a great way to keep other would-be investors away from Turkey, and that U.S. officials were obligated to tell other U.S. companies the truth about how existing investors were being treated here.

[1](#)5. (SBU) Comment: Ambassador and Embassy staff have been pushing GOT officials hard to resolve this and other investment disputes (ref a). While we see signs of openness on some of the disputes, the GOT continues to take a hard line on the energy BOTs. Our efforts would be strengthened by an organized campaign on the part of the companies themselves. However, the local company representatives tell us that they are "out of the loop," and we have not heard from U.S.-based company executives since early November.

EDELMAN